



No. 9

January 16, 2003

## **H.J. Res. 2 — Omnibus Appropriations Bill, FY2003: Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations**

Calendar No. 1

H.J.Res. 2 was passed by the House on January 8, 2003, and is now pending on the Senate Calendar. This bill is serving as the vehicle for all 11 of the remaining appropriation measures for FY 2003.

### **NOTEWORTHY**

*Note: The funding bills are before the Senate with no written reports. All information contained in this Notice comes from the Appropriations Committee as conveyed to us on or before 1/15/03.*

- The VA-HUD funding bill was offered as a substitute (along with the language of the other 10 yet-unsigned funding bills) to H.J. Res. 2. The bill is amendable, but it is hoped that a unanimous consent agreement limiting amendments will be reached.
- On July 25th, 2002, the Committee reported S. 2797, the FY 2003 VA-HUD appropriations bill, but the bill never came to the Senate floor prior to sine die adjournment. The full House also did not act on a VA-HUD appropriations bill for FY 2003. Since the start of the new fiscal year last October, VA-HUD programs have been funded under a series of continuing resolutions, the most recent set to expire on January 31, 2003.
- The 11 remaining FY03 appropriations bills (only Defense and Military Construction were signed) will come before the Senate with smaller funding levels than were in the bills as reported by the Appropriations Committee last year. This is to comport the total FY03 federal discretionary spending level to \$750.5 billion, the level agreed to by President Bush and Congressional appropriators last year. (The Defense and Mil Con bills amount to \$365.3 billion of that total.)
- The Senate VA/HUD FY2003 provides a net of \$121.9 billion in new budget authority. This amount is \$1.9 billion above last year's enacted amount, and \$1.9 billion above the budget request. Overall, the Senate bill provides about \$90.35 billion in discretionary spending and \$31.6 billion in mandatory spending for FY 2003.

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## HIGHLIGHTS

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This diverse, broad appropriation bill covers veterans, public and assisted housing (HUD), as well as independent agencies such as the Environmental Protection Agency (EPA), the National Aeronautics and Space Administration (NASA), the National Science Foundation (NSF), the Federal Emergency Management Agency (FEMA), and the national service program, among many others. Other entities funded under this bill are the American Battle Monuments Commission, the Consumer Product Safety Commission, and the Agency for Toxic Substances and Disease Registry. The Committee gave its highest priority to veterans' programs, and funding for HUD to renew all expiring Section 8 vouchers, with other priorities including maintaining environmental programs at or above current levels, ensuring adequate funds for space and scientific research programs, and providing adequate funding for emergency management and disaster relief.

- **Veterans' Funding.** In all, the bill provides \$58.04 billion for the Department of Veterans Affairs, which is \$5.66 billion above the FY02 amount, and \$1.1 billion above the budget request; the amount includes \$31.58 billion in mandatory spending and \$26.46 billion in discretionary funding. Increases above the President's request are recommended for medical care and medical research. Veterans medical care provided under the Veterans Health Administration amounts to \$23.9 billion, which is \$2.4 billion over the FY02 amount and \$1.2 billion above the request.
- The Appropriations Committee rejected the Administration's proposal for a \$1,500 VA Medical care deductible for Priority 7 veterans who make an annual salary of over \$24,000. The proposal was intended to lower costs by approximately \$1.45 billion. The bill does extend co-payment authority for prescription drugs which saves some \$600 million for veteran medical needs. Instead of supporting the deductible proposal, the Committee allocates the \$1.45 billion that VA says it would have saved (as a result of enacting the Bush proposal) straight to the VA budget, in the hope the agency will use it to improve its ability to provide timely care to lower-income, disabled veterans.
- **Department of Housing and Urban Development.** The Committee recommendation totals \$31.25 billion, an increase of \$1.1 billion over FY02 and \$200 million below the request. One of the significant differences from the Administration's request is funding the Public Housing Capital Fund at \$2.68 billion, which is \$280 million over the request (and \$120 million below the FY02 level). The bill also provides up to \$250 million as a carve-out for the Public Housing Operating Fund for Public Housing Agencies (PHAs) for shortfalls in operating subsidies from FY02. The bill also uses new funding structure for section 8 that guarantees funding for all vouchers up to the authorized levels. As part of the new structure for section 8, the bill authorizes the reallocation of vouchers from PHAs with low voucher utilization rates to PHAs with high utilization rates while disapproving the Administration's request for 34,000 new tenant-based vouchers (the reallocation process should provide all needed additional vouchers

that could be used in FY03).

- **Housing Funding.** The Committee has provided significant funding for all HUD programs. The \$16.9 billion allocated for the HUD certificate program will provide the necessary funding for renewal of all expiring Section 8 vouchers. Overall, the bill provides for an increase of \$1.3 billion for all section 8 requirements, including funding for 15,000 vouchers. The bill includes no funding for incremental vouchers; the Administration had requested 34,000 new tenant-based vouchers. The Committee is concerned that the tenant-based voucher program offers a false promise of rental choice that recipients cannot realize. Urging that voucher reform should become a priority at HUD, the Committee argues that voucher holders have limited choices, and end up concentrated in the same low-income neighborhoods, which is antithetical to program goals. The Committee included a reformed funding structure for section 8 based on a proposal included in the House Committee-passed VA/HUD Appropriations bill. This proposal funds all vouchers in use with a reserve for any vouchers that can be used by a PHA. The Senate bill builds on the House proposal by building in a legislative guarantee that all vouchers that can be used up to the current authorized level will be funded.
- The bill includes some \$1.03 billion for sections 202 elderly and 811 disabled programs, \$10 million more than the President's request and the FY02 levels. The bill also provides \$100 million more than the FY02 level for the HOME program and \$130 million less than the President's request. It does not recommend funding for the President's down-payment initiative within the HOME block grant since it already is an eligible activity. The bill provides \$1.21 billion for homeless assistance programs, an increase of \$85 million from the President's request, and an increase of \$90 million from FY02 levels.
- **Environmental Protection Agency (EPA).** The Committee bill provides \$8.2 billion for the Environmental Protection Agency, an increase of \$580 million from the budget request and an increase of \$125 million from the current-year level.
- Superfund is increased to \$1.17 billion (\$25 million more than the budget request, and \$50 million less than FY02), the Drinking Water State Revolving Fund (SRF) receives \$875 million (\$25 million above the budget request and FY02 level), the Clean Water SRF receives \$1.42 billion (\$75 million above the FY02 level), State and Tribal Assistance Grants (STAG) are funded at \$3.9 billion, \$200 million above last year's level, and \$450 million above the request.
- The Administration has proposed \$15 million in increased grants to the states for enforcement, reflecting a shift in policy towards more state enforcement, and a related \$15 million decrease in EPA's enforcement budget. The Committee provided *no funds* for the President's proposed State Enforcement Grants and has not included the request of \$25 million for Information Exchange Network grants since EPA has adequate funds for this activity as carry-over from FY02.
- **FEMA.** The Committee provides \$3.2 billion for FEMA (\$3.5 billion less than the request and \$7.3 billion less than last year's levels). The differences in funding with the FY02 level reflect

special emergency supplemental funding during FY02. The Committee is recommending \$843 million for Disaster Relief instead of the request of \$1.84 billion. The \$1 billion reduction reflects some \$3 billion in Disaster Relief Funding reserves at FEMA, which is consistent with the expected level of funding needs for disaster relief during FY03.

- The Administration recommended funding for the First Responder Initiative as a block grant through FEMA. Instead, with the creation of the new Department of Homeland Security, the Committee has funded the individual first responder activities which will be the responsibility of FEMA; the Commerce-Justice-State Appropriations Subcommittee appropriated \$2 billion for first responder activities that were part of the FY02 request for FEMA (the CJS funding is consistent with the legislation that created the Department of Homeland Security). The first responder activities are funded in the Emergency Management Planning and Assistance Account.
- **NASA.** The Senate version provides \$15.1 billion for NASA, an increase of \$225 million from the FY02 level and \$125 million over the budget request. The bill includes funding for the Orbital Space Plane, which will meet certain commitments to the International Space Station.
- **National Science Foundation.** The bill provides a total of \$5.27 billion to reaffirm support of scientific research and education, an increase of \$240 million over the budget request and \$460 million over FY02 levels.
- **Corporation for National and Community Service.** The bill provides \$412.7 million (\$5.7 million more than last year and \$223.6 million less than the budget request) for this agency, which oversees the AmeriCorps program.
- **Other Independent Agency Funds.** Other major expenditures in Title III include \$110 million for the Neighborhood Reinvestment Corporation; \$73 million for Community Development Financial Institutions; \$30.4 million for the American Battle Monuments Commission; and \$26.5 million for the Selective Service System.

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## **BILL PROVISIONS**

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### **Veterans Affairs (VA)**

**Total Funding:** The Committee has provided a total of \$58.04 billion for the VA, including \$31.58 billion in mandatory spending and \$26.46 billion in discretionary spending. The amount for discretionary activities represents an increase of \$1.1 billion from the budget request and \$2.49 billion above the FY02 enacted level.

**Compensation and Pensions:** Provides \$28.9 billion, which is \$4.0 billion above the FY02 enacted level and the same as the budget request.

**Medical Care:** Increases funding for veterans medical care by \$1.2 billion over the request for a total of \$23.9 billion, an increase of \$2.4 billion over the FY02 level.

**Construction Projects:** Provides \$144.7 million for major construction projects (\$38.4 million below last year's enacted level and \$49 million less than the budget request), and the Committee recommends \$210.7 million, the requested level, for minor projects, \$200,000 above last year's level.

**Medical and Prosthetic Research:** This account provides funds for medical, rehabilitative, and health services research. The Committee recommends \$400 million for medical prosthetic research, an increase of \$6 million above the budget request and \$29 million above the FY02 enacted level.

**Departmental Administration:** Appropriates \$1.25 billion for general operating expenses, an increase of \$61 million over last year and equal to the requested level.

**Grants for Construction of State Extended Care Facilities:** Recommends \$100 million for grants for the construction of State extended care facilities, the same as last year's enacted level, and the budget request.

**Accrual accounting:** The Administration requested that the future costs of retirement benefits and retiree health insurance for current federal employees be shown as accrued cost for the each fiscal year. Because this change would require legislation, the effects upon annual appropriations are not shown in the Committee's report, which is based on CBO estimates of program costs under current law. The Committee report is critical of the Administration's inclusion of the effects of accrual accounting within the request levels for appropriations, and asks that future legislative proposals be sent to Congress without their enactment for purposes of budget estimates.

## **Housing and Urban Development (HUD)**

**Housing Certificate Fund.** The Committee recommends \$16.9 billion, \$600 million less than the request, and \$1.3 billion above FY02 levels. This will provide the necessary funding for renewal of all expiring Section 8 vouchers. The bill includes no funding for incremental vouchers; the Administration had requested 34,000 new tenant-based vouchers. The Committee has included a reformed funding structure for Section 8 based on a proposal included in the House Committee-passed VA/HUD Appropriations bill. This proposal funds all vouchers in use with a reserve for any vouchers that can be used by a Public Housing Agency (PHA). The Senate bill builds on the House proposal by building in a legislative guarantee that all vouchers that can be used up to the current authorized level will be funded. It also includes authority for HUD to reallocate vouchers from PHAs with poor utilization rates to PHAs with high utilization rates, which removes the need for incremental vouchers for this fiscal year.

**Public Housing Capital Fund.** The bill provides \$2.68 billion for modernization and capital needs of public housing authorities (\$260 million more than the request, and \$160 million less than last year).

**Public Housing Operating Fund:** The bill recommends \$3.53 billion (an increase of \$35 million over last year and the same as the budget request) for the Fund. Included is a carve- out of up to \$250 million for PHAs that received a shortfall in funding.

**Revitalization of Severely Distressed Public Housing (HOPE VI):** The Committee appropriates \$574 million for this account (same as the request and last year's level) and extends the program for two years.

**Native American Housing Block Grant:** The Committee recommends \$648.6 million (same as last year and the request) for the Native American housing block grants to help Indian Tribes address their housing needs within their communities.

**Housing Opportunities for Persons With AIDS (HOPWA):** An appropriation of \$292 million is provided, \$14.6 million above last year and the same as the budget request.

**Urban Empowerment Zones/Enterprise Communities:** The Committee provides \$30 million for this program, which is \$30 million more than the budget request and \$15 million less than last year. This program was enacted as part of the Taxpayer Relief Act of 1997, and the Committee believes that funding for this program is misplaced in this bill, and should be provided through the Finance Committee as mandatory funding as originally envisioned.

**Office of Rural Housing and Economic Development:** An amount of \$25 million is provided for this office to support economic development in rural communities (same as last year's level, but the Administration did not request any funds for this account).

**Community Development Fund:** The bill provides \$5 billion for the Community Development Block Grant (CDBG) Program, the same as enacted for FY02 and \$300 million more than the budget request.

**Home Investment Partnerships Program:** This program, which provides assistance to states and local governments for the purpose of expanding the supply of affordable housing, is funded at \$1.95 billion (\$100 million more than last year and \$130 million less than the budget request). This does not include the Administration's request of a set-aside within HOME solely for down-payment assistance: the Committee notes that this activity is already an eligible activity under HOME and does not need separate authority, and that the program would constrain the ability of local communities to determine the best use of HOME funds.

**Homeless Assistance Grants:** The bill provides \$1.21 billion (\$85 million more than the

budget request and \$93 million more than last year to fund the emergency shelter grants program, the supportive housing program, the Section 8 moderate rehabilitation single-room occupancy program, and the Shelter Plus Care program. In addition, the Committee recommends \$193 million in funding on annual basis for Shelter Plus Care renewals, with \$17.6 million for technical assistance and management information systems.

**Housing for Special Populations:** This account funds housing for the elderly under section 202 and housing for the disabled under section 811. These programs provide capital grants to eligible entities for the acquisition, rehabilitation, or construction of housing. The Committee recommends \$1.03 billion for Elderly and Disabled Housing. The Committee included \$50 million for assisted living conversions and up to \$53 million for service coordinators, matching the Administration's request.

**Federal Housing Administration:** The Federal Housing Administration (FHA) fund covers the mortgage and loan insurance activity of about 40 HUD mortgage/loan insurance programs. The Committee recommends an insurance commitment limitation of \$160 billion for the FHA Mutual Mortgage Insurance and Cooperative Housing Mortgage Insurance (MMI/CHMI) fund, the same as last year's appropriated amount and equal to the Administration request. Both the Administration and the Committee request a \$21 billion insurance commitment for the General Insurance and Special Risk Insurance (GI/SRI) fund, the same as approved for FY02. The Administration requested a \$50 million loan limitation for direct loans under MMI/CHMI, a \$200 million reduction from the FY02 level; the Senate recommends a direct loan limitation of \$250 million.

### **Environmental Protection Agency (EPA)**

**Total Funding:** The Committee recommends a total of \$8.2 billion for FY02. Major changes from the Administration's request include an increase of \$25 million for Drinking Water State revolving funds (SRFs), (\$25 million above the FY02 level); an increase of \$75 million for the clean drinking water SRF; \$1.17 billion for Superfund, \$20 million more than the request, and \$50 million less than last year's level; \$72 million for the Leaking Underground Storage Tank fund; \$793 million for Science and Technology; and no funds for the President's proposed State Enforcement Program (the request was for \$15 million). The bill includes \$200 million in Brownfields grants for contaminated sites with development potential.

**Science and Technology:** The Committee provides \$796 million for science and technology, an increase of \$61 million from last year, and an increase of \$15 million from the budget request.

**State Assistance Program:** The Committee appropriates \$3.9 billion for state and tribal assistance grants, an increase of \$200 million from the FY02 enacted level, and an increase of \$440 million above the request.

**Environmental Programs and Management:** This account includes the development of environmental standards; monitoring and surveillance of pollution conditions; direct federal pollution

control planning; preparation of environmental impact statements; and compliance assurance. For these activities, \$2.14 billion is appropriated, an increase of \$82 million from last year, and \$89 million above the budget request.

**Superfund:** The Committee recommends \$1.17 billion for the Superfund program, \$20 million more than the Administration request and \$50 million less than FY02.

**Oil Spill Response:** The Committee recommends \$16 million for the oil spill response fund, the same as the FY02 level and the budget request.

**Leaking Underground Storage Tank Trust Fund:** The Committee includes \$72 million for the Leaking Underground Storage Tank Program, which is the same as the FY02 amount and the budget request.

### **Federal Emergency Management Agency**

- The Committee provides \$3.2 billion for FEMA (\$3.5 billion less than the request and \$7.3 billion than last year's level). The differences in funding with the FY02 level reflect special emergency supplemental funding during FY02. The Committee is recommending \$843 million for Disaster Relief instead of the request of \$1.84 billion. The \$1 billion reduction reflects reserves of some \$3 billion in Disaster Relief funding at FEMA, which is consistent with the expected level of funding needs for disaster relief during FY03.
- The Administration recommended funding for the First Responder Initiative as a block grant through FEMA. Instead, with the creation of the new Department of Homeland Security, the bill funds the individual first responder activities, which will be the responsibility of FEMA; the Commerce-State-Justice Appropriations Subcommittee appropriated \$2 billion for first responder activities that were part of the FY02 request for FEMA (the CJS funding is consistent with the legislation that created the Department of Homeland Security). The first responder activities are funded in the Emergency Management Planning and Assistance Account, including \$900 million for Fire Act grants.
- The Committee recommends \$153 million for Emergency Food and Shelter, \$240 million for salaries and expenses, and \$18 million for the Inspector General.

### **National Aeronautics and Space Administration (NASA)**

**Total Funding:** The bill provides \$15.1 billion for NASA, an increase of \$100 million above the request, and \$200 million above FY02 levels. The Committee reduced funding for the International Space Station (ISS) by \$35 million while providing full funding for the Shuttle. The bill also includes \$115 million for the Orbital Space Plane which represents part of the U.S. commitment to the ISS.



**Science, Aeronautics and Technology:** The Committee increases funding for this account to \$9 billion to improve commercial competitiveness, an increase of \$158 million above the budget request, and \$1.15 billion from last year's level.

**Human Space Flight:** The Committee recommends \$6.1 billion in funding, a decrease of \$816 million from last year's levels, and \$35 million below the Administration's request to come from ISS reserves.

**National Science Foundation:** The Committee recommends \$5.27 billion, an increase of \$460 million over last year and \$240 million over the budget request to support scientific research and development. The Committee has included \$4.1 billion for research and related activities (\$289 million above the request), \$59 million for Major Research Equipment (\$67 million below the request), \$933 million for Education and Human Resources (\$25 million above the request), \$182 million for salaries and expenses, and \$9.7 million for the NSF Inspector General.

**Corporation for National and Community Service:** For the Corporation for National and Community Service, which administers programs under the National and Community Service Act of 1990 and the Domestic Volunteer Service Act of 1973 (including Foster Grandparents, and the Senior Companion Program), the Committee appropriates a total of \$405.8 million (\$4 million more than last year and \$225.5 million below the request). The Committee approved \$6.9 million for the CNCS Office of the Inspector General, and \$290.3 million for the AmeriCorps Grants program. CNCS continues to be plagued by problems, including most recently problems associated with over-enrollments of AmeriCorps members.

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## POSSIBLE AMENDMENTS

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At press time, no amendments were known.

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